

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of Eco-Tek Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material aspects and not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this report misleading.

SUMMARY

- Revenue for the nine months ended 31 July 2022 amounted to HK\$74,341,000 (nine months ended 31 July 2021: HK\$92,173,000), representing a decrease of approximately 19% as compared with corresponding period.
- Profit attributable to owners of the Company for the nine months ended 31 July 2022 amounted to HK\$ 4,453,000 (nine months ended 31 July 2021 amounted to HK\$3,653,000).
- Basic earnings per share for the nine months ended 31 July 2022 amounted to approximately HK 0.69 cent (nine months ended 31 July 2021 amounted to approximately HK0.56 cents).



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UNAUDITED THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) of Eco-Tek Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 July 2022 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months ended 31 July 2022

	Notes	Three months ended 31 July		Nine months ended 31 July	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	2	24,601	32,962	74,341	92,173
Cost of Sales		(16,416)	(22,432)	(50,855)	(65,044)
Gross profit		8,185	10,530	23,486	27,129
Other income		1,355	713	4,246	1,653
Selling expenses		(503)	(1,099)	(2,462)	(3,488)
Administrative expenses		(6,780)	(6,431)	(18,359)	(18,556)
Profit from operations		2,257	3,713	6,911	6,738
Finance costs		(218)	(177)	(593)	(653)
Share of gain/(loss) of a joint venture		101	(7)	215	(34)
Profit before income tax		2,140	3,529	6,533	6,051
Taxation	3	(786)	(1,550)	(2,080)	(2,398)
Profit for the period attributable to owners of the Company		1,354	1,979	4,453	3,653

	Notes	Three months ended 31 July		Nine months ended 31 July	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Other comprehensive income for the period					
— Items that may be subsequently reclassified to profit or loss					
Exchange (loss)/gain on translation of financial statements of foreign operations		(7,779)	3,723	(4,284)	6,847
Share of other comprehensive income of a joint venture		(223)	15	(157)	133
		(8,002)	3,738	(4,441)	6,980
Total comprehensive income for the period attributable to owners of the Company		(6,648)	5,717	12	10,633
Earnings per share					
— Basic and diluted	5	HK0.21 cent	HK0.30 cent	HK0.69 cent	HK0.56 cent

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 31 July 2022

	Equity attributable to owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Other reserve HK\$'000	Exchange translation reserve HK\$'000	Capital contribution reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 November 2020	6,495	19,586	95	13,015	11,770	7,971	43,353	102,285
Profit for the period	-	-	-	-	-	-	3,653	3,653
Other comprehensive income for the period	-	-	-	-	6,980	-	-	6,980
Total comprehensive income for the period	-	-	-	-	6,980	-	3,653	10,916
At 31 July 2021	6,495	19,586	95	13,015	18,750	7,971	47,006	112,918
At 1 November 2021	6,495	19,586	95	13,015	20,661	7,971	48,415	116,238
Profit for the period	-	-	-	-	-	-	4,453	4,453
Other comprehensive income for the period	-	-	-	-	(4,441)	-	-	(4,441)
Total comprehensive income for the period	-	-	-	-	(4,441)	-	4,453	12
At 31 July 2022	6,495	19,586	95	13,015	16,220	7,971	52,868	116,250

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PREPARATION

Eco-Tek Holdings Limited (the “Company”) is a limited liability company incorporated and domiciled in the Cayman Islands. The Company’s shares are listed on the GEM of the Stock Exchange since 5 December 2001.

The unaudited condensed consolidated financial statements for the nine months ended 31 July 2022 are presented in Hong Kong dollars (“HK\$”). Other than those subsidiaries established in the People’s Republic of China (the “PRC”) whose functional currency is Renminbi (“RMB”), the functional currency of the Company and its subsidiaries are HK\$.

The unaudited condensed consolidated financial statements for the nine months ended 31 July 2022 are prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institutes of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The unaudited condensed consolidated financial statements for the nine months ended 31 July 2022 should be read in conjunction with audited consolidated financial statements and notes thereto for the year ended 31 October 2021 (“2021 Audited Consolidated financial statements”). The significant accounting policies that have been used in the preparation of these unaudited consolidated financial statements are consistent with those followed in the preparation of 2021 Audited Consolidated financial statements. It should be noted that accounting estimates and assumptions are used in preparation of the unaudited consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The HKICPA has issued certain new and revised HKFRSs. For those which are effective for accounting period beginning on 1 November 2021, the adoption of the new HKFRSs had no material impact on how the results and financial positions for the current and prior periods have been prepared and presented. For those which are not yet effective and have not been early adopted in prior accounting periods, the Group is in the process of making an assessment of the potential impact of the new pronouncement.

2. REVENUE

Revenue, which is also the Group's turnover, represented during the period comprised the following:

	Three months ended 31 July		Nine months ended 31 July	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Water supply plant	8,381	9,542	25,503	22,831
Environment-friendly products	16,220	23,420	48,838	69,342
	24,601	32,962	74,341	92,173

3. TAXATION

	Three months ended 31 July		Nine months ended 31 July	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Under provision for prior period:				
— Hong Kong	—	400	—	400
Current tax:				
— PRC	786	1,150	2,080	1,998
	786	1,550	2,080	2,398

Hong Kong profits tax has been provided for at 8.25% (2021: 8.25%) on the first HK\$2 million of the estimated assessable profits and 16.5% on the estimated assessable profits above HK\$2 million for the nine months ended 31 July 2022 and 2021. No provision for Hong Kong profits tax has been made for the current period as the Group has no assessable profits arising in Hong Kong.

The subsidiaries of the Company established in the PRC are subject to the PRC enterprise income tax. PRC enterprise income tax has been provided at the rate of 25% (2021: 25%) on the estimated assessable profits arising in the PRC for the period.

4. INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the nine months ended 31 July 2022 (2021: Nil).

5. EARNINGS PER SHARE

The basic earnings per share for the period are calculated based on the following data:

	Three months ended 31 July		Nine months ended 31 July	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit attributable to owners of the Company for the purpose of calculating basic earnings per share	1,354	1,979	4,453	3,653

	Number of shares			
	Three months ended 31 July		Nine months ended 31 July	
	2022 '000	2021 '000	2022 '000	2021 '000
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	649,540	649,540	649,540	649,540

No diluted earnings per share is calculated for the three months and nine months ended 31 July 2022 and 2021 as there was no dilutive potential ordinary share in existence.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Prospects

The total revenue of the Group for the nine months ended 31 July 2022 (this “Period”) decreased by 19% to HK\$74,341,000 when compared with that of the last corresponding period for nine months ended 31 July 2021 (“Last Period”) HK\$92,173,000 as the revenue of our environment-friendly products business decreased by 30% from Last Period HK\$69,342,000 to this Period HK\$48,838,000 under tough industrial market in China but the revenue of our water supply plant business increased by 12% from Last Period HK\$22,831,000 to this Period HK\$25,503,000 as our water supply plant has started to supply processed water to rural area near Jing-Jin New City, Baodi District of Tianjin City to replace their underground water usage.

The National Bureau of Statistics of the People’s Republic of China (the “Bureau of Statistic of the PRC”) recently announced that the manufacturing Purchasing Managers’ Index (the “PMI”) was 49.4 in August 2022, below threshold 50 indicating contraction of China manufacturers’ purchase. In the process of transforming the Chinese economy to the “new normal” era with the new growth model emphasizing domestic consumption and quality, there are risks of decline in demand of low-end machinery and equipment but also opportunities under the national strategies of “Energy Conservation and Emission Reduction”. Leverage on the Group’s past experience in this area, the Group will source supply of new products or services which fulfill the policy of energy conservation and emission reduction in China, although we will monitor the situation cautiously and adjust our development plan accordingly. Certain products of our environment-friendly products business were applied in the marine machinery sectors and clean energy sectors such as hydropower and wind power facilities. As the increase of international concerns of environmental protections, we believe that there will be a brighter prospect for our environment-friendly products business.

The water supply plant in Tianjin has the exclusive right to supply processed water to certain areas inside and near Baodi District of Tianjin City including Jing-Jin New City. Under the Beijing-Tangshan Intercity Railways and Tianjin Binhai New Area Intercity Railway (together as the “New Intercity Railways”), there will be a railway station in Baodi district near our water supply plant in Tianjin. It was believed that the completion of the New Intercity Railways in future will promote the integrative and cooperative economic development of the Baodi District and Jing-Jin New City which will benefit our Group’s water supply plant in Tianjin.

Financial Review

The Group's total revenue for the period ended 31 July 2022 was HK\$74,341,000, representing a decrease of 19% as compared with the Last Period (nine months ended 31 July 2021: HK\$92,173,000). It was due to the decrease of our environment-friendly product business's sales under tough industrial market in China.

The gross profit of the Group for the nine months ended 31 July 2022 was amounted to HK\$23,486,000 represented a decrease of 13% when compared with that of Last Period (nine months ended 31 July 2021: HK\$27,129,000) due to decrease in the Group's total revenue. The gross profit margin of the Group for the nine months ended 31 July 2022 was 32% (nine months ended 31 July 2021: 29%), the increase in the gross profit margin of the Group was due to favorable fluctuations of foreign currencies especially the depreciation of Japanese Yen, one of the major currencies for our Group's purchase.

The Group's administrative expenses for the nine months ended 31 July 2022 was amounted to HK\$18,359,000 representing a decrease of 1% compared with the last corresponding period (nine months ended 31 July 2021: HK\$18,556,000). The Group's selling expenses for the nine months ended 31 July 2022 was amounted to HK\$2,462,000, representing a decrease of 29% compared with the Last Period (nine months ended 31 July 2021: HK\$3,488,000) due to decrease of exhibition cost and travelling expenses in this Period.

The Group recorded a profit attributable to owners of the Company for the nine months ended 31 July 2022 amounted to HK\$4,453,000 (nine months ended 31 July 2021 amounted to HK\$3,653,000).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 July 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate long positions in ordinary shares and underlying shares of the Company

As at 31 July 2022, none of the Directors and chief executives of the Company had any interests or short positions in any shares, underlying shares and debenture of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to the Directors or chief executives of the Company, as at 31 July 2022, the following persons (other than Directors or chief executives of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in ordinary shares of the Company

Name	Capacity and nature of interest	Number of ordinary shares held as at 31 July 2022	% to the Company's issued shares as at 31 July 2022
Lily Chiang (Note 1)	Founder of a discretionary trust	344,621,200	53.06
Virtue Trustees (Switzerland) AG (Note 2)	Through a unit trust and controlled corporation	344,621,200	53.06
Wide Sky Management Limited (Note 2)	Through a controlled corporation	344,621,200	53.06
Team Drive Limited (Note 2)	Directly beneficially owned	344,621,200	53.06
Dr. Pau Kwok Ping	Directly beneficially owned	44,224,000	6.81

Notes:

1. Lily Chiang is the founder of the Lily Chiang Family Trust which indirectly holds 344,621,200 shares in the Company. Accordingly, Lily Chiang is deemed to be interested in such shares.
2. 344,621,200 shares are directly and beneficially held by Team Drive Limited which is wholly-owned by Wide Sky Management Limited, of which the entire issued shares are held by Virtue Trustees (Switzerland) AG. Wide Sky Management Limited and Virtue Trustees (Switzerland) AG are deemed to be interested in all the shares held by Team Drive Limited.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the nine months ended 31 July 2022. The Company and its subsidiaries did not redeem any of its listed securities during the nine months ended 31 July 2022.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Practice for Securities Transactions by Directors and Designated Employees (the “Securities Code”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of all Directors who have confirmed their compliance with required standard set out in the Securities Code during the nine months ended 31 July 2022.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions in the Corporate Governance Code and Corporate Governance Report (the “Code”) contained in the Appendix 15 of the GEM Listing Rules throughout the nine months ended 31 July 2022 except for the following:

The code provision A.6.7 of the Code requires that independent non-executive directors and other non-executive directors shall attend general meetings and develop a balanced understanding of the view of shareholders. Professor NI Jun, the independent non-executive director, was unable to attend the annual general meeting of the Company held on 31 March 2022 due to his other business commitments.

MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the nine months ended 31 July 2022, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

COMPETITION AND CONFLICT OF INTEREST

None of the directors, the management shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during nine months ended 31 July 2022.

REMUNERATION COMMITTEE

The Company established a remuneration committee in March 2005. The primary duties of the remuneration committee are to review and make recommendation for the remuneration policy of the directors and senior management. The chairman of the remuneration committee is Ms. CHAN Siu Ping Rosa and other members include Mr. CHAU Kam Wing Donald and Professor NI Jun, all of them are independent non-executive directors of the Company.

NOMINATION COMMITTEE

The Company established a nomination committee in February 2006. The principal duties of the nomination committee are to formulate nomination policy and make recommendation to the Board on nomination and appointment of the directors and board succession. The chairman of the nomination committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa and Professor NI Jun, all of them are independent non-executive directors of the Company.

ENVIRONMENT, SOCIAL AND GOVERNANCE COMMITTEE

The Company established an environment, social and governance committee (“ESG Committee”) in January 2022. The principal duties of the ESG Committee are to advise and assist the Board of directors (the “Director(s)”) of in managing matters relating to environment, social and governance. The chairman of the ESG committee is Mr. WU Cheng-wei and other members include Mr. LEUNG Wai Lun, Mr. CHAU Kam Wing Donald, Ms. CHAN Siu Ping Rosa and Professor NI Jun.

AUDIT COMMITTEE

The Company established an audit committee on 5 December 2001 with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The chairman of the audit committee is Mr. CHAU Kam Wing Donald and other members include Ms. CHAN Siu Ping Rosa and Professor NI Jun, all of them are independent non-executive directors of the Company.

The Group’s unaudited results for the three months and nine months ended 31 July 2022 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

By Order of the Board
Eco-Tek Holdings Limited
WU Cheng-wei
Chairman

Hong Kong, 13 September 2022

As at the date of this report, the Board of Directors comprises Mr. WU Cheng-wei and Mr. LEUNG Wai Lun as executive directors; Dr. LUI Sun Wing as non-executive director; Ms. CHAN Siu Ping Rosa, Professor NI Jun and Mr. CHAU Kam Wing Donald as independent non-executive directors.